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CANADIAN
VICKERS,
LIMITED

NOTICE
of
ANNUAL GENERAL MEETING
OF
SHAREHOLDERS
TO BE HELD ON
JUNE 26th, 1940
and
ANNUAL REPORT
FOR THE YEAR ENDED FEBRUARY 29TH, 1940

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CANADIAN VICKERS, LIMITED

DIRECTORS

W. L. BAYER	Montreal, P.Q.
VICTOR M. DRURY	Montreal, P.Q.
A. S. FRASER	Montreal, P.Q.
J. EDOUARD LABELLE, K.C.	Montreal, P.Q.
RENE LABELLE	Montreal, P.Q.
JOHN I. RANKIN	Montreal, P.Q.
AVILA RAYMOND	Montreal, P.Q.
J. McL. STEPHEN	Montreal, P.Q.
N. A. TIMMINS, JR.	Montreal, P.Q.

OFFICERS

J. EDOUARD LABELLE, K.C.
President

J. McL. STEPHEN
First Vice-President

N. A. TIMMINS, JR.
Second Vice-President

J. W. SAVIDANT
Comptroller
Secretary and Treasurer

General Offices and Works
5136 NOTRE DAME STREET EAST
MONTREAL, P.Q.

CANADIAN VICKERS, LIMITED

P.O. Box 550

PLACE D'ARMES STATION

MONTREAL, P.Q.

NOTICE

of

ANNUAL GENERAL MEETING of SHAREHOLDERS

Notice is hereby given that the Annual General Meeting of the Shareholders of Canadian Vickers, Limited, will be held at the Head Office of the Company, 5136 Notre Dame Street East, in the City of Montreal, Province of Quebec, on Wednesday, the 26th day of June, 1940, at the hour of 10.30 o'clock in the forenoon (Daylight Saving Time) to receive and consider the financial statements of the Company and the reports of the Directors and Auditors, to elect Directors for the ensuing year, to appoint Auditors and to transact such other business as may properly come before the Meeting.

Dated this 6th day of June, 1940.

By Order of the Board,

J. W. SAVIDANT,

Secretary.

N.B.—In the event you may not be present at this Meeting, please sign and return the enclosed Proxy.

ANNUAL REPORT OF THE DIRECTORS
of
CANADIAN VICKERS, LIMITED
FISCAL YEAR ENDED FEBRUARY 29th, 1940

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company covering operations for the fiscal year ended February 29th, 1940.

The volume of business received was greatly in excess of that of the previous year. However, the first substantial order during the period under review was not placed with your Company until the end of August and 50% of the total was booked shortly before the close of the fiscal period, thus having little effect upon the year's earnings.

The Statement of Income and Expenditure shows an improvement and the net loss was reduced from \$79,598.73, incurred in the previous year, to the amount of \$6,827.07 for the fiscal year just ended. This result was obtained on approximately the same production volume. The operations of the Industrial and Structural Steel Departments reflected the low volume of business during the first half of the year, but this was offset in part by improvement in general conditions during the latter half. The Aircraft Division operated at about the same level as in the previous year and your Company enjoyed a decidedly active year in Ship Repairs.

It will be noted that an amount of \$20,000.00 has been charged against operations and set up as a Reserve for Uncompleted Contract. There has also been transferred from Contingencies Reserve the sum of \$20,000.00 which has been added to the Reserve for Doubtful Accounts.

During the year it became increasingly apparent to your Directors that a measure of modernization of equipment and rehabilitation of certain buildings must be accomplished. As a start to that end, new equipment to a total value of \$102,074.00 has been added to Fixed Assets as of February 29th. Since that date further equipment has been purchased to a value of \$97,000.00. This new equipment has been selected with the primary object of improving cost efficiencies and of being generally useful for peace time production purposes, but these expenditures are not sufficient to place your Company on a sound competitive operating basis.

The sum of \$62,781.00 has been expended during the year upon the maintenance of existing plant and equipment.

Your Company has completed payment of its subscription in the amount of \$166,600.00 to the Capital stock of Canadian Associated Aircraft Limited—the Company organized to handle British Air Ministry Aircraft orders, of which your Company has received its share.

At the close of the year, unfilled orders to a total of \$6,400,000.00 were carried over to the year 1940-41, the greater part of which were placed by the Canadian and British Governments. In addition, orders to a total of \$2,643,000.00 have been booked since the end of the fiscal year. That volume of work, plus additional work your Company may be called upon to do, will tax its facilities to the utmost. Certain additions to mechanical equipment have been made, but as the Company now has orders for war supplies sufficient to keep it fully occupied should the

war continue, it is imperative that monies be provided for new equipment, without which full production cannot be assured within the necessary time.

In an attempt to preserve your Company's already inadequate working capital, the bond interest due on August 1st and February 1st last, totalling \$150,390.00, was not paid. No payments into sinking fund for retirement of your first mortgage bonds have been made since 1st August, 1932.

Still further concessions will have to be asked from security holders in order to place the management in funds to attain maximum productive effort and to ensure that sufficient working capital will be available to the Company for war production.

The non-payment of the bond interest and sinking fund instalments has been a matter of grave concern to your Directors and to the bondholders. A meeting of the bondholders is being called immediately to consider certain proposals to be submitted to them as a temporary means of meeting the present situation and war conditions. It is the Directors' intention to formulate and submit a complete plan of reorganization when this can be done without interference with the full effort of the Company in war work and when a clear view may be had of the long-range operating possibilities.

Your wholly owned subsidiary, Montreal Dry Docks Limited, suffered the loss of its shops and most of its equipment by fire on December 9th last. Adjustment of the loss claim has been satisfactorily settled and since paid over to the Trustee for its Bondholders—National Trust Company Limited. At a meeting of Bondholders of that Company held on May 23rd, 1940, a Bondholder's Committee was formed with power to deal with the question of rehabilitation of plant and with the matter of your Company's guarantee of the principal of and interest on that Company's first Mortgage 6% 20-year Sinking Fund Gold Bonds (1948).

In this connection it is to be noted that your Company is the guarantor of the Principal and interest of the First Mortgage Bonds of that Company, in the principal amount of \$564,500.00 now outstanding, with arrears of interest unpaid as of February 1st, 1940, to a total of \$33,870.00. In addition, its Bank Loan has been guaranteed by your Company in the amount of \$20,000.00.

Your Directors again request that, to facilitate communication with unregistered holders of your Company's bonds, all shareholders who are also bondholders forward their names, addresses and amounts of their holdings either to your Company or to their Trustee, the Montreal Trust Company, Montreal.

Your Directors hereby express their appreciation of the loyal and earnest services rendered by the Officers and Employees of your Company during the past year.

J. EDOUARD LABELLE,
President.

CANADIAN VICK

BALANCE SHEET AS AT

(With comparative figures)

ASSETS

	As at February 29th, 1940	As at February 28th, 1939
CURRENT ASSETS		
Cash on Hand and in Bank.....	\$ 4,505.44	\$ 4,544.64
Amount due under Agreements from Subscribers to Capital		
Stock allotted.....	90,000.00	270,000.00
Accounts Receivable (less Reserve).....	717,774.88	249,267.67
Work in Progress at cost, plus overhead.....	\$2,020,929.64	\$2,249,181.30
Less—Amount invoiced thereon.....	1,888,729.72	2,000,637.37
	132,199.92	248,543.93
Inventory of Finished Stock, Stores and Supplies certified to by responsible Officials of the Company as to quantities and as to values which are at the lower of cost or market (excepting Structural Steel taken at book value) (less Reserve).....	417,831.12	378,019.16
Department of Public Works—Subsidy Accrued.....	16,154.00	16,154.00
Tender Guarantee Deposits.....	60,000.00	25.00
Cash on deposit with Trustee for Bondholders.....	105,065.62	
	1,543,530.98	1,166,554.40
DEFERRED CHARGES—		
Prepaid Taxes, Insurance and other expenditure made on account of future business.....	78,285.77	101,954.08
INVESTMENT IN AND ADVANCES To wholly owned Subsidiary Company—		
Investment.....	1.00	1.00
Advances.....	372,123.59	294,340.86
	372,124.59	294,341.86
OTHER INVESTMENTS—		
Bonds of the Company purchased for Sinking Fund (at cost)...	5,710.00	5,710.00
1,666 Shares of \$100 each of Canadian Associated Aircraft Ltd.	166,600.00	10,100.00
Sundry at nominal value.....	2.00	2.00
Red Barge Line Limited—Debenture Certificate (face value \$115,791.66) liability of which is assumed by North American Transports Limited, due 31st December, 1945.....		57,895.83
Subscription to Share Capital of Canadian Associated Aircraft Limited.....		156,566.67
	172,312.00	230,274.50
CONSIGNMENT STOCK as per Contra.....	3,610.98	10,042.98
FIXED ASSETS—		
Real Estate, Buildings, Floating Dock, Plant and Equipment....	6,171,909.40	6,069,834.94
Leasehold.....	600,000.00	600,000.00
As per valuation by Coverdale & Colpitts dated 30th September, 1927, with subsequent additions at cost, less retirements....	6,771,909.40	6,669,834.94
Less Depreciation Reserve.....	2,447,033.93	2,259,926.33
	4,324,875.47	4,409,908.61
OTHER ASSETS—		
Sundry Claims.....	12,301.00	12,301.00
	\$6,507,040.79	\$6,225,377.43

Signed on Behalf of the Board,
 (Sgd.) J. EDOUARD LABELLE, } Directors.
 J. McL. STEPHEN, }

AUDITORS' REPORT T

We have audited the Books and Accounts of your Company for the year ended 29th February, 1940, and have obtained all the information from the subsidiary Company, against which no Reserve has been provided, the above Balance Sheet is in our opinion properly drawn up so as to exhibit as shown by the Books of the Company.

In accordance with Section 114 of the Companies Act 1934, we also report that the loss of your wholly owned Subsidiary Company that \$19,083.50 (representing interest on advances) treated as income receivable by your Company from this Subsidiary forms part of the

MONTREAL, 28TH MAY, 1940.

ERS, LIMITED

FEBRUARY 29th, 1940

for the previous year)

LIABILITIES

	As at February 29th, 1940	As at February 28th, 1939
CURRENT LIABILITIES—		
Bank Loan (secured).....	\$ 401,104.17	\$ 287,000.00
Accounts and Bills Payable.....	416,121.28	248,586.86
Dominion, Provincial and Municipal Taxes with Interest.....	101,260.15	87,002.04
Bond Interest—Due and unpaid for the year ended		
1st February, 1940.....	\$ 150,390.00	
Accrued to 29th February, 1940.....	11,536.77	
	<u>161,926.77</u>	<u>.....</u>
Canadian Associated Aircraft Limited, as per contra.....	1,080,412.37	622,588.90
		<u>156,566.67</u>
DEFERRED LIABILITY—		
Prepayment by instalments extending to January, 1943.....	15,000.00	20,000.00
CONSIGNMENT ACCOUNTS PAYABLE as per Contra.....	3,610.98	10,042.98
BONDED INDEBTEDNESS—		
First Mortgage 20-Year 6% Gold Bonds (due 1st August, 1947)		
Authorized.....	<u>\$5,000,000.00</u>	<u>\$5,000,000.00</u>
Issued.....	2,750,000.00	2,750,000.00
Less—Redeemed.....	<u>243,500.00</u>	<u>243,500.00</u>
	2,506,500.00	2,506,500.00
Sinking Fund Obligations not met since 1st August, 1932,		
RESERVES—		
Against other Assets as per contra.....	12,301.00	12,301.00
Contingencies.....	52,543.07	74,433.07
Reserve for Uncompleted Contracts.....	<u>20,000.00</u>	<u>.....</u>
	84,844.07	86,734.07
CAPITAL STOCK—		
7% Cumulative Redeemable Preferred Stock:		
Authorized 50,000 shares of \$100 each.	<u>\$5,000,000.00</u>	<u>\$5,000,000.00</u>
Issued 19,000 " " "	1,900,000.00	1,700,000.00
Subscribed and Allotted 1,000 Shares at \$100 each	<u>100,000.00</u>	<u>300,000.00</u>
	2,000,000.00	2,000,000.00
Dividends paid to 31st October, 1929.		
Common Stock—No Par Value:		
Authorized 100,000 Shares.		
Issued 52,000 "	2,410,000.00	2,400,000.00
Subscribed and Allotted 1,000 Shares.....	<u>5,000.00</u>	<u>15,000.00</u>
	2,415,000.00	2,415,000.00
Less Deficit as per attached Statement.....	<u>1,598,326.63</u>	<u>1,592,055.19</u>
	816,673.37	822,944.81
	<u>2,816,673.37</u>	<u>2,822,944.81</u>
	<u>\$6,507,040.79</u>	<u>\$6,225,377.43</u>
CONTINGENT LIABILITIES with respect to Montreal Dry Docks Limited, wholly owned subsidiary:		
Guarantee of principal of 6% Bonds due 1948... \$ 564,500.00	\$ 564,500.00	
Guarantee of interest thereon, of which there		
was due and unpaid as of 1st February, 1940 .	33,870.00	
Guarantee of Bank Advances to the extent of...	<u>20,000.00</u>	<u>70,000.00</u>

O THE SHAREHOLDERS

information and explanations required by us, and we report that, subject to the collectibility of the advances made to your wholly owned Subsidiary, we have obtained a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us and the accounts of your Company and the accounts of your wholly owned Subsidiary amounting to \$82,242.92 which is carried forward in its own accounts has not been provided for in the accounts of your Company and the accounts of your wholly owned Subsidiary and the foregoing loss.

(Signed) MACINTOSH, ROBERTSON & PATERSON,
Chartered Accountants.

CANADIAN VICKERS, LIMITED

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 29th FEBRUARY, 1940 (With comparative figures for the previous year)

	As at February 29th, 1940	As at February 28th, 1939
Net Operating Profit for Year ended 29th February, 1940, before taking into account the items shown below: . . .	\$ 358,290.73	\$ 261,370.25
<i>Less—</i>		
Bond Interest	\$ 150,390.00	\$ 150,390.00
Depreciation	194,782.80	190,371.48
Transfer to Reserve for Uncompleted Contracts	20,000.00	
Directors' Fees	\$ 1,640.00	1,325.00
	<u>366,812.80</u>	<u>342,086.48</u>
	8,522.07	80,716.23
Income from Investments	<u>1,695.00</u>	<u>1,117.50</u>
Net Loss for Year	6,827.07	79,598.73
Deficit as at 28th February, 1939	\$ 1,592,055.19	1,509,564.45
Net Adjustments applicable thereto	555.63	2,892.01
	<u>1,591,499.56</u>	<u>1,512,456.46</u>
Deficit as at 29th February, 1940, as per Balance Sheet . . .	<u>\$ 1,598,326.63</u>	<u>\$ 1,592,055.19</u>
Remuneration of Executive Officers and Legal Advisers of the Company included in Operat- ing Expenses amounts to	\$15,362.83.	\$17,479.27